

State Transportation Commission Meeting

September 25, 2008

Kirk T. Steudle, Director

Michigan Department of Transportation

Focus Areas

- **Design/Build/Finance Update**
- **Transportation Funding Task Force (TF2) Update**

M-21
Design/Build/Finance
(DBF)
Project Update

M-21 DBF Project Information

- Two-Step Selection Process was used to determine the selected contractor
- A Best Value Selection Process encourages contractors to propose ways to improve the project in order to receive a higher technical score.
- The Best Value Selection Process heavily emphasized reducing impacts to the public.
- Quantity Errors/Increases are not paid as extras to the contract

M-21 DBF Project Information

- Maintenance on items typically covered by pay items
- Contaminated Soils must be disposed at an appropriate landfill
- Maintenance on the new structure between final acceptance and the final payment

M-21 DBF Costs

	Estimated as Design-Bid-Build (DBB) in 2008 Dollars	Estimated as DBB inflated to 2012 Dollars at 4% per Year	Engineers Estimate of Design-Build-Finance Project	As Let – Design-Build- Finance
Preliminary Engineering	\$461,000	\$539,000	\$370,000	\$370,000
Construction Cost	\$5,767,000	\$6,746,000	\$7,072,000	\$7,285,000
Construction Engineering + Utility Relocation	\$885,000	\$1,032,000	\$1,060,000	\$1,060,000
Total Costs	\$7,113,000	\$8,317,000	\$8,502,000	\$8,715,000

Financing Lessons Learned

- Local bankers reluctant to extend credit on MDOT's DBF projects
- Overall tight credit market in the country
- Size of the DBF project
- Outreach to bankers needed

Design Lessons Learned

- Contractors would prefer more time during advertisement
- Designers and Contractors prefer a stipend larger than provided
- MDOT gained experience on contracting DBF projects using non-traditional methods

Project Success

- Gained experience in an alternate selection method
- Developed Contract Language for future Design Build and Design Build Finance Projects
- Gained staff experience in Design-Build-Finance Contracting

Transportation Funding Task Force Update

Task Force Primary Focus

- Examine alternatives to fuel tax
 - Analyze feasibility
 - Suggest or recommend alternative user fees or nonuser taxes
- May recommend “implementation of pilot programs to test feasible alternatives” to fuel tax
 - Preliminary recommendations due October 31, 2008



TF2 Update

- Only three scheduled meetings left
 - Needs were reported by Citizens Advisory Committee in July
- TF2 has received public comments during every meeting
- Started tackling revenue alternatives

TF2 Update

■ September 8 Meeting

- Developed preliminary recommendations on Aviation, Local Options, and Public-Private Partnerships
- CAC provided additional information on methodology for needs analysis
 - Continued work on reforms, efficiencies and best practices

Preliminary Considerations

Aviation Funding Options

- Increase/expand airport parking tax
- Increase aviation fuel tax, possibly with indexing
- Increase aircraft registration fees
- Reduce or eliminate sales tax on aviation fuel
- Abolish airline refund tax
- Redirect sales tax on aviation products for aviation purposes

Preliminary Considerations

Local Options Taxes and Fees

- Support enabling legislation to allow a range of county or regional funding options including:
 - Vehicle registration fees
 - Driver license fees
 - Fuel tax
 - Sales tax
 - Impact fees
- Allow creation of Corridor or Transportation Authorities to allow for regional taxes to support specific projects

Preliminary Considerations

Public Private Partnerships (PPPs)

- Enable toll-financed reconstruction or expansion of freeways
- Enable PPPs for toll-financed reconstruction of freeways
- Monetize assets through leases to PPPs
- Enable congestion pricing
- Increase bridge tolls for new revenue

What's Next?

Over their remaining meetings:

- TF2 will consider statewide transportation revenue options
 - Various registration, fuel tax, and sales tax alternatives
 - Other revenue alternatives
- TF2 will receive information on reforms, efficiencies and best practices from CAC
- TF2 will review initial drafts of report incorporating recommendations
- Preliminary Report due October 31

TF2 Remaining Meetings

- September 29, Marquette

Northern Michigan University
University Center, 2nd Floor
1401 Presque Isle Avenue
Marquette, MI 49855

- October 13, Higgins Lake

Ralph A. MacMullan Conference Center
104 Conservation Drive
Roscommon, MI 48653

- October 27, Lansing

Questions?